

Message Text

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ACTION SS-25

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C O N F I D E N T I A L CAIRO 11453

EXDIS

E.O. 11652: GDS
TAGS: EINV, ETRD, EG
SUBJECT: FORD MOTOR PROJECT

REF: (A) STATE 158575, (B) CAIRO 11277

1. SINCE SENDING REF B, I HAD OPPORTUNITY TO DISCUSS STATUS FORD PROJECT WITH MINECON HAMED EL SAYEH. SENATOR JAVITS WAS PRESENT. EL SAYEH EXPLAINED THAT AGREEMENT HAD BEEN SIGNED WITH FORD SUBJECT TO SATISFACTORY NEGOTIATION SOME OUTSTANDING POINTS. THERE WERE TWO SUCH POINTS: FIRST, THE DEGREE OF PROTECTION TO BE ACCORDED FORD TRUCKS, WITH FORD INSISTING UPON 55 PERCENT; SECOND, THE EXTENT OF LOCAL COMPONENTS IN THE PROJECT. THE LATTER WAS EASILY RESOLVABLE. AS THE PROJECT PROCEEDED, IT WOULD DISAPPEAR. THE FORMER, I.E., THE DEGREE OF PROTECTION REQUIRED, IS MORE DIFFICULT. NASCAR IS NOW RECEIVING TEN PERCENT PROTECTION; FORD WANTS 55 PERCENT PROTECTION; GOE HAS OFFERED TO GIVE FIFTEEN PERCENT PROTECTION. GOE, HE STATED, IS ANXIOUS TO HAVE FORD COME IN, BUT THE HIGH DEGREE OF PROTECTION THAT IT IS REQUESTING IS UNREASONABLE AND WOULD MEAN HIGHER PRICES FOR THE EGYPTIAN CONSUMER. HE HOPED THAT FORD COULD SEE ITS WAY CLEAR TO REDUCING ITS PROTECTION REQUEST.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CAIRO 11453 111303Z

2. SO FAR AS THE BOYCOTT IS CONCERNED, PRIMIN MAMDUH SALEM HAD TOLD HIM THE PREVIOUS DAY THAT GOE IS PREPARED TO WORK TO GET FORD OFF THE BOYCOTT LIST. I ASKED IF FAHMY WAS AWARE OF THIS. EL SAYEH SAID HE DID NOT KNOW, BUT THE PRIMIN HAD ASSURED HIM THAT GOE WOULD TAKE THE NECESSARY ACTIONS FOR THIS PURPOSE.

3. MY GENERAL THOUGHTS HAVE ALREADY BEEN SUBMITTED PRIOR TO RECEIPT REF A. THERE IS NO DOUBT THAT MININDUSTRY SHAHIN IS PLAYING SOMEWHAT OF AN OBSTRUCTIVE ROLE. UNFORTUNATELY, HE HAS HIT UPON ONE OF THE PROJECT'S MAIN POINTS OF VULNERABILITY, NAMELY, THE PROTECTION ASPECT. IT IS DIFFICULT FOR ANY MINISTER TO SUPPORT A DEGREE OF PROTECTION WHICH, THEORETICALLY AT LEAST, WILL FORCE THE EGYPTIAN CONSUMER TO PAY HIGHER PRICES. FORD ARGUES THAT THIS WILL NOT BE THE CASE, BUT THEY HAVE NOT CONVINCED THE EGYPTIANS OF THAT.

4. FORD ADMITTEDLY IS IN SOMETHING OF A DILEMMA AS TO WHOM TO TALK TO. FAHMY HAS, OF COURSE, BEEN THE PREVIOUS SPEARHEAD. GAMAL NAZER FAVORS THE PROJECT, BUT MUST FOLLOW CABINET INSTRUCTIONS. PRIMIN AND FAHMY, WHILE NOMINALLY ON GOOD TERMS, HAVE LITTLE USE FOR ONE ANOTHER, ALTHOUGH FAHMY OBTAINED PRIMIN'S APPROVAL FOR GAZARINE SIGNING INITIAL MEMORANDUM. PRIMIN AND SHAHIN ARE CLOSE, ALTHOUGH PRIMIN WILL OVERRULE MININDUSTRY WHEN HE HAS GOOD CASE TO DO SO. THERE HAS BEEN MUCH TALK OF CLOSE SADAT/SHAHIN RELATIONSHIP, ESPECIALLY AFTER SADAT MENTIONED SHAHIN IN A SPEECH SOME MONTHS AGO, BUT I SEE LITTLE EVIDENCE THAT THIS RELATIONSHIP IS REALLY CLOSE. SADAT IS APPARENTLY APPRECIATIVE OF PAST SHAHIN ASSISTANCE, BUT I HAVE NEVER HEARD THE PRESIDENT REFER TO SHAHIN IN CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CAIRO 11453 111303Z

ANY CONVERSATION I HAVE HAD WITH HIM IN THESE PAST THREE AND ONE-HALF YEARS. HENCE, I DO NOT BELIEVE THAT SHAHIN SPEAKS WITH PRESIDENTIAL APPROVAL.

5. I CONTINUE TO BELIEVE THAT FORD SHOULD TRY TO CONTACT KAISOUNI IN THE STATES AND EXPLORE THE MATTER WITH HIM. FORD HAS NOTHING TO LOSE BY DOING SO. I AM TOLD THAT KAISOUNI IS IN THE CLEVELAND CLINIC AND HAS BEEN THERE FOR ABOUT FIVE DAYS. NO REASON WHY FORD SHOULD NOT ALSO DISCUSS MATTER WITH ABDEL MEGUID WHEN HE VISITS NEW YORK AND ALSO WITH GHORBAL WHEN HE RETURNS.

6. I THINK DEPT MUST TREAD WARILY ON THIS ONE. I SEE NO EVIDENCE THAT GOE RENEGING ON ITS BASIC COMMITMENT TO HAVE FORD RESUME OPERATIONS IN EGYPT. HOWEVER, IT WAS ALWAYS UNDERSTOOD THAT THIS IS SUBJECT TO MUTUAL SATISFACTORY RESOLUTION OF OUTSTANDING TECHNICAL ISSUES. THE PROTECTION ISSUE IS A SIGNIFICANT ONE, NOT ONLY FROM FORD, BUT ALSO FROM GOE POINT OF VIEW. IF PROJECT IS TO PROCEED, IT MUST SOMEHOW BE RESOLVED AND ONLY FORD IS ABLE TO ASSESS WHAT FLEXIBILITY IT MAY HAVE. THERE IS NO POINT TO REPRESENTATIONS AT PRESIDENTIAL LEVEL UNTIL

THIS MATTER IS SETTLED. WHEN IT IS, AND IF SHAHIN STILL
PROVES DIFFICULT, THEN ONE CAN CONSIDER GOING TO THE PRESIDENT
ON THE MATTER. BEFORE DOING SO, HOWEVER, AN APPROACH
WOULD HAVE TO BE MADE TO THE PRIMIN SINCE GOING OVER HIS
HEAD IS THE BEST WAY TO SOUR HIM ON THE PROJECT.
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